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C O N F I D E N T I A L ULAANBAATAR 000258

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TAGS: [PGOV](#) [PREL](#) [ECON](#) [EAID](#) [ENRG](#) [MG](#)
SUBJECT: AMBASSADOR DISCUSSES BILATERAL AGENDA WITH
MONGOLIA'S PRESIDENT AND FM

Classified By: AMBASSADOR MARK C. MINTON FOR REASONS 1.4 (B) AND (D)

11. (C) SUMMARY. In a series of pre-departure encounters over the past week, Ambassador Minton discussed a wide range of U.S.-Mongolia bilateral issues with President Elbegdorj and Foreign Minister Batbold. Ambassador Minton and DCM Hill spent nearly all of Saturday, August 30, with Elbegdorj and his Foreign Policy Advisor (and Ambassador-designate to China) Sukhbaatar, and also hosted Elbegdorj for lunch on September 3. In addition, the Ambassador hosted FM Batbold and Americas Desk staff for lunch on September 1.

12. (C) During all three discussions, the key topics were foreign trade and investment, enhancing educational exchanges, the Millennium Challenge Compact, and continued defense cooperation. These priorities appear highly consistent with Washington reporting on messaging from Mongolian Ambassador to the U.S. Bekhbat in recent meetings, indicating broad GOM agreement on the most pressing current issues and a commitment to enhancing further our joint agenda. END SUMMARY.

TRADE, INVESTMENT, AND THE THIRD NEIGHBOR POLICY

13. (C) Elbegdorj and Batbold highlighted the importance of balance in the trade relationship. Central to Mongolia's "Third Neighbor" policy, they both acknowledged the importance of having many countries represented in Mongolia's economy to balance pressure from Russia and China. Elbegdorj stated that the "Third Neighbor Policy should have an economic dimension," and that "We need strategic support from the U.S. when dealing with all of these parties; we need America to balance power in this region." He noted specifically that Russian President Medvedev's visit to Ulaanbaatar two weeks ago included an entourage of roughly 160 officials, of which about 100 focused on economic and commercial business. Similar commercial pressure is expected when Chinese PM Wen visits in October.

14. (C) Elbegdorj would like to see more aggressive high-level engagement from the U.S., through meetings in Washington and visits to Mongolia. Two Congressional delegations this summer were a very good step in our relationship, and demonstrated growing high-level interest in Mongolia. He also hopes to make a summit visit to Washington if not in the spring, then within "a year" and would like to invite the

President, Vice President, and Secretary to visit Mongolia.

15. (C) Batbold also discussed the Third Neighbor Policy in the context of trade and investment, noting that Mongolia's commitment to balance is evident in the continuing debate over Oyu Tolgoi, the huge copper and gold deposit to be developed by Rio Tinto in the Gobi. He said that Mongolia could have received much more favorable advance payments and ownership terms from China, but realized that it was more important to ensure that Western firms operate major projects in Mongolia. In his meeting, Elbegdorj noted that, with Oyu Tolgoi moving forward, development of the huge Tavan Tolgoi coal deposit in the Gobi is next. He hopes Peabody can make a strong case for participation to provide again American balance. He said that, once launched, the Oyu Tolgoi copper and gold mine could bring in nearly USD one billion almost immediately, but he is not sure the system is prepared to "digest" that quickly. He noted that much reform is needed to make the system "less bureaucratic and more transparent."

16. (C) The Ambassador commented that, in the case of Tavan Tolgoi, the government might be better served not by thinking about how to split up the pie among strategic partners, but rather about the key principles by which it wants the mines to be operated (best technology, environmental soundness, etc.). Keeping the discussions and negotiations on these points of principle would allow the government to avoid describing decisions as politically-determined.

17. (C) The Ambassador explained that we had tried, for example, to use an appeal to principle to defuse political problems with Russia and China associated with U.S. defense cooperation in Mongolia. By ensuring all parties understand that our cooperation is focused solely on building global peacekeeping capacity, the two neighbors are essentially prevented from arguing that we are trying unduly to influence the country's military counter to Russian and Chinese interests.

HOPE FOR BALANCE EXTENDS TO URANIUM

18. (C) Batbold raised the difficult question of uranium. He said that, despite recent announcements of partnerships with Russia, Mongolia is very much committed to balance in this sector as well. The GOM is in active talks with several countries regarding the development of the sector, both mine production and power generation. Uranium was an important topic during PM Bayar's visit to Tokyo in July. Japan is particularly interested, but so too are France and India. Uranium and nuclear power are expected to be a major discussion topic during President Elbegdorj's first overseas trip, to India, from September 13 to 16.

EDUCATIONAL EXCHANGES

19. (SBU) In both meetings with the Ambassador, President Elbegdorj devoted considerable time to discussing expanding exchanges, in particular scholarships for Mongolians to study in the U.S. The Harvard-educated president was pleased to learn that the U.S. is nominating six Mongolians for Fulbright scholarships this year, and hopes for continued growth. Foreign Minister Batbold indicated that the GOM is still considering action on the proposed joint funding of Fulbright and other programs. Batbold added that both Russia and China fully fund several hundred scholarships each year for Mongolians, and it is important to balance that with educational opportunities in the West. In doing so, he noted that Mongolia still relies heavily on government-to-government partnerships to promote these kinds of opportunities for its youth.

110. (SBU) The Ambassador added that beyond government-to-government options, there are many ways to engage the private educational sector as well. For example, both the Embassy and GOM can work to encourage Mongolian alumni of U.S. universities to reach out to their alma maters

for support, develop university-to-university partnerships that include an exchange element, promote Mongolian studies in the U.S., and encourage U.S. businesses to support education of Mongolians in the U.S. Since the U.S. educational system is decentralized, much work would have to occur at the state level, with states such as Alaska already showing leadership in this area.

¶11. (SBU) COMMENT: Post,s Public Affairs Section (PAS) is actively working on these options already, and will shortly add a new Alumni Coordinator to our staff as a contractor, funded by the State,s Bureau of Education and Cultural Affairs, Office of Alumni Programs. Through grants, PAS also supports a non-profit Education Advising Resource Center, which is planning new activities to reach out to a wider range of Mongolians. Elbegdorj,s Human Rights Advisor, Ms. Oyungerel, was also at the lunch and noted that, as a Stanford graduate, she is active in the private association U.S. Alumni in Mongolia (USAM). She expressed an interest in working with Post to generate activities with USAM to reach out to U.S. universities as the Ambassador suggested. END COMMENT.

MCC

¶12. (SBU) Both Elbegdorj and Batbold expressed strong interest in moving ahead with re-programmed MCC funds. Elbegdorj noted specifically that a strong MCC is important to demonstrate to the public the importance of the U.S.-Mongolia relationship, and that MCC should be seen as an "American footprint in Mongolia." The Ambassador explained that we hope for some answers following the September 9 MCC Board meeting, particularly in expanding the property rights, vocational education, and health projects. Funding for new projects using money originally dedicated to the old rail project, however, may take slightly longer to decide.

DEFENSE AND OTHER ISSUES

¶13. (SBU) The Ambassador discussed U.S. defense cooperation with both Elbegdorj and Batbold. Both leaders acknowledged the importance of this aspect of our bilateral relationship. They expressed a continued commitment to Mongolia,s growing role in global peacekeeping operations.

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